



## BRIEFING PAPER

Number 8218, 31 January 2018

# Brexit: Future UK agriculture policy

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## Summary

UK agriculture, post-Brexit and, post transition, will be operating outside of the EU's Common Agricultural Policy (CAP) under any scenario.

The key questions around a new UK agriculture policy are therefore:

- How will the UK diverge from the CAP and in what way?
- How much financial support will the UK Government continue to offer and how will it be allocated across the UK?
- How will UK agriculture be managed across the devolved nations?

Currently, CAP subsidies can make up anywhere from 50-80% of a UK farmer's income and their practices will be sensitive to fluctuations in support or a change of direction or priorities in this support.

The UK Government has pledged to maintain the same cash funds as currently for CAP until the end of the Parliament, under the expectation that this will be 2022. It has also indicated that it is unlikely to move to any new system of farm support until after 2024.

The [UK Government's 25 Year Environment Plan](#) (January 2018) set out how a new environmental land management system based on providing public money for public goods (such as habitat enhancement) is proposed to replace current direct payments to farmers in England.

Proposals will be set out in a Command Paper later this spring – a pre-cursor to the Agriculture Bill (expected in this session) which will set out post-Brexit support arrangements for farmers.

The **key elements of the emerging new policy for England** (to be consulted on) are:

- The [Basic Payment Scheme \(BPS\)](#) (direct subsidies by area farmed) for 2019 will be paid as normal.
- A five-year transition phase from farming subsidy to a system of public money for public goods over time whilst limiting some of the largest subsidy payments.
- No lower standards for animal welfare or environment in trade deals and a new approach to food labelling with a new "world leading" standard for food and farming quality.

Environment Secretary Michael Gove has also said he is:

- confident of "building a new economic partnership with the EU" that guarantees tariff-free access for agri-food goods between the UK and EU.
- seeking a flexible migration policy overall and post-Brexit wants to ensure "access to seasonal agricultural labour".

Farming unions and environmental groups have broadly welcomed the initial proposals. Farming unions want any new farm support system to be part of a coherent approach to food production with domestic agriculture policy post-Brexit helping farmers to mitigate volatility and enhance productivity as well as delivering environmental benefits.

Environmental groups want to see current funding for farmers maintained to support sustainable land management.

# 1. UK agriculture

## 1.1 Overview of the sector

The UK agriculture sector has a key role in the UK economy and the rural environment:

- Approximately 70% of the total UK area is utilised for agriculture (some 17.4 million hectares).<sup>1</sup>
- 19% of UK land is used for arable crops such as wheat and barley, and 1% for horticultural crops.<sup>2</sup>
- Some 466,000 people were working in the UK agricultural sector in 2016 and 218,000 agricultural holdings.
- When the broader agri-food sector is taken into account, (including the manufacture, distribution and preparation of food in catering establishments) the workforce exceeds 3.5 million people - around 13% of the UK total workforce.<sup>3</sup>
- The average size for holdings larger than 20 hectares (ha) is 276 (Scotland), 132 ha (England), 98 ha (Wales) and 62 ha (Northern Ireland).<sup>4</sup>
- Farm Business Income (FBI) varies greatly with over a quarter of UK farms failing to make a positive FBI whilst 16% of UK farms had a FBI of over £50,000.<sup>5</sup>
- In 2015, the agri-food sector contributed £109 billion to the UK economy, around 6.6% of the national [Gross Value Added](#) (GVA). Within this, manufacturing, retailing and non-residential catering accounted for over one quarter each. Food wholesaling covers 9% of the sector and agriculture made the smallest contribution at 8%.<sup>6</sup>

Table 1 illustrates the scale of the main sectors in the UK.

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<sup>1</sup> Defra, [Agriculture in the United Kingdom 2016](#), May 2017.

<sup>2</sup> Defra, [British Food and Farming at a Glance](#), 21 March 2016

<sup>3</sup> NFU, [Contribution of UK agriculture: Final Report](#), February 2017

<sup>4</sup> Defra, [Agriculture in the United Kingdom 2016](#), May 2017, Table 2.4

<sup>5</sup> Defra, [Agriculture in the United Kingdom 2016](#), May 2017. **Farm Business Income** (FBI) is the preferred measure for comparisons of farm type and represents the return to all unpaid labour (farmers, spouses and others with an entrepreneurial interest in the farm business) and to all their capital invested in the farm business including land and farm buildings.

<sup>6</sup> Defra, [Agriculture in the United Kingdom 2016](#), May 2017

**Table 1: UK Livestock and Crops**

<b>AGRICULTURE IN THE UK: STRUCTURE</b>			
<b>June 2016</b>			
Livestock numbers (thousand head)		Crop areas (thousand hectares)	
Total poultry	172,607	Total area of arable crops	4,505
Total sheep and lambs	33,943	Total area of horticultural crops	162
Total cattle and calves	<sup>1</sup> 10,033		
Total pigs	4,866		

Notes:  
 1. Cattle figures in this table are based on all agricultural holdings  
 Source: Agriculture in the UK datasets: Chapter two - the structure of the industry

## 1.2 Imports and exports

In 2016, the UK exported £20 billion of food, feed and drink compared with imports of £43 billion, resulting in a trade deficit of £23 billion.<sup>7</sup>

Around £18 billion of this deficit was with EU countries, the remaining £5 billion was with non-EU countries.

60% of the UK's exports of food, feed and drink are to EU countries and 70% of the UK's imports of food, feed and drink are from EU countries.<sup>8</sup>

Currently, there is free movement of all goods within the EU, with no tariffs or quotas on trade between EU member states. The customs union means the EU sets a common external tariff on goods imported into the EU from non-EU states.

Government policy, outlined in [the Prime Minister's January 2017 speech](#) is for the UK to leave the single market and customs union and pursue a free trade agreement with the EU; the effects of leaving the EU on the UK's international trade in food will ultimately depend on what agreement is reached.

## 1.3 Food security

The UK is currently 61% self-sufficient in all foods and 75% sufficient in indigenous foods.<sup>9</sup> The National Farmers' Union has stated at the

<sup>7</sup> Food, feed and drink is a category that includes raw agricultural products, lightly and heavily processed foods, and beverages)

<sup>8</sup> For further information see the Library briefing [Brexit: Agriculture and trade](#) and the DEFRA publication [Agriculture in the United Kingdom 2016](#) (chapter 13)

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current rate of production, if the UK tried to survive solely on food produced in the UK from 1 January, it would run out on 6 August.<sup>10</sup>

However, it is widely acknowledged that there is an opportunity for the UK to import less food, in particular indigenous fruit and vegetables. The NFU has argued that “a lot of that [imported food] could be grown in the UK. Our ambition as part of this process is to narrow that trade gap.”<sup>11</sup>

The exact impacts of Brexit on particular foodstuffs and supply chains are not yet clear because the terms on which the UK will trade with the EU in the future are not clear and any likely barriers to trade with other countries.

However, the [Food Standards Agency](#) has noted that the complexity of food supply chains is such that animals, food and food ingredients frequently pass back and forth between different countries on numerous occasions on the journey from primary production to retail sale. This is particularly the case in Ireland where, for example, milk might cross from the Republic of Ireland to Northern Ireland and back numerous times between cow and supermarket shelf

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<sup>9</sup> House of Lords European Union Committee, [Brexit: Agriculture](#), HL Paper 169, May 2017 pg. 7

<sup>10</sup> House of Lords European Union Committee, [Brexit: Agriculture](#), HL Paper 169, May 2017 p. 7

<sup>11</sup> House of Lords European Union Committee, [Ibid](#), pg. 36-37

## 2. Future farming policy

UK agriculture, post-Brexit will be operating outside of the EU's Common Agricultural Policy (CAP) under any scenario.

CAP funding currently provides:

- Direct payments based on the area farmed (known as Pillar 1) through the [Basic Payment Scheme](#)
- Rural development funding (known as Pillar 2)

Implementation of the CAP is devolved so each devolved administration has to comply with meeting the legislative framework of the CAP and manage the direct payments to farmers.

Leaving the CAP means that the UK can develop a new approach to domestic agriculture policy.

Outside of the CAP reform process, this can be more tailored to UK priorities and farming systems. However, there may also be more flexibility within the next CAP round for EU Member States as the EU Commission has already indicated that it is looking to achieve this (see Section 4.2).

An new Agriculture Bill, announced in the [Queen's Speech](#) and expected this session, will include:

“measures to ensure that after we leave the EU, and therefore the Common Agricultural Policy, we have an effective system in place to support UK farmers.”

The Bill is intended to provide stability for farmers and measures to protect the natural environment.

### 2.1 Developing a common framework

The UK Government has said that in terms of future agriculture policy it is “committed to delivering an approach that works for the whole of the UK and reflects the needs and individual circumstances of Scotland, Wales and Northern Ireland”. Ministerial and official meetings got underway in summer 2017 to start discussions on UK common agricultural frameworks.<sup>12</sup>

The last CAP was the most flexible ever in terms of using different options to meeting its requirements. There are few areas of common approach across England and the devolved administrations and the CAP systems within the UK have highly diverged such that there are already four very different farming support systems in the UK reflecting different needs and priorities.

The UK, Scottish and Welsh Governments agreed the principles that will guide how the UK Government will approach common frameworks in future at the Joint Ministerial Committee on EU Negotiations on 16 October 2017.

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<sup>12</sup> [Written Question 112802 20 November 2017](#)



Secretary of State for Scotland, David Mundell, has said that those principles “have facilitated constructive engagement at official level, and we expect to make significant further progress in the coming months, including publishing our analysis.”<sup>13</sup>

## EU Withdrawal Bill developments

The [EU Withdrawal Bill](#), clause 11, prevents the Devolved Administrations from acting in a way that would be incompatible with retained EU law, but it also provides for the UK Government to ‘release’ policy areas from this restriction. The Government has stated it intends to do so once agreement is reached with the devolved authorities regarding common UK frameworks in which the powers could operate.

Clause 11 has proved highly contentious, with the Scottish and Welsh Governments stating they cannot recommend legislative consent be granted to the Bill in its current form. The UK Government committed to bringing amendments to clause 11 at report in the Commons. This did not happen but the UK Government has said that it will do so in the House of Lords.<sup>14</sup>

### Continuity Bills

The Welsh Cabinet Secretary for Finance (Mark Drakeford AM) has committed to publish a Continuity Bill before the end of January, “unless it is clear that the UK Government will bring forward satisfactory amendments during the remaining stages of the withdrawal Bill’s passage through the Parliament”.<sup>15</sup> This would seek to ensure the continuation in Welsh law of all areas which were previously a matter of EU law that fall within the legislative competence of the National Assembly for Wales in accordance with the Wales Act 2017.”<sup>16</sup>

The Scottish Government has also confirmed that it is developing a Continuity Bill for Scotland and, if necessary will introduce it in February 2018, although the Scottish Government has said its preference is to work collaboratively with the UK government on the legislative consequences of EU withdrawal, including through the EU (Withdrawal) Bill.

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<sup>13</sup> [HC Deb 24 January 2018 c254](#)

<sup>14</sup> House of Lords Library notes LLN-2018-0011, [European Union \(Withdrawal\) Bill, briefing for Lords Stages](#), 25 January 2018

<sup>15</sup> National Assembly for Wales, Plenary Debate on a Member’s Legislative Proposal, [Motion NDM6576](#) Steffan Lewis, 17 January 2018

<sup>16</sup> National Assembly for Wales, Plenary Debate on a Member’s Legislative Proposal, [Motion NDM6576](#) Steffan Lewis, 17 January 2018



## 2.2 UK Government approach for England

In his [speech](#) to the Oxford Farming Conference on 5 January 2018, Environment Secretary, Michael Gove outlined the UK Government's plans for future agricultural support to 2022 and four areas where he wants to drive a change in overall agricultural policy: <sup>17</sup>

- Developing a **coherent policy on food and a new metric for food quality**  
This is intended to integrate the needs of "agriculture, businesses, other enterprises, consumers, public health and the environment." It complements the Food Sector Council announced in the Industrial Strategy.
- Giving farmers and land managers the **time and tools to adapt** to the future to avoid a "precipitate cliff edge" but also to "prepare properly for the changes which are coming."
- Developing a **new method of providing financial support** for farmers which moves away from subsidies for inefficiency to public money for public goods.
- Ensure that "we build **natural capital thinking** into our approach towards all land use and management...so that we develop a truly sustainable future for the countryside."

The Government's 25 Year Environment Plan – [A Green Future](#) (January 2018) has provided further information on the shape of a new farm support system (see Section 3). Proposals for this will be set out in a Command Paper later this spring – a pre-cursor to the Agriculture Bill.

This Command Paper is also expected to say more about land-based education, integrating research and ongoing training of farmers.

The UK Government also wants to see more investment in automation and machine learning – towards the "hands-free farm."

Farming Minister, George Eustice, has been tasked with considering overall fairness in the food supply chain and Mr Gove has said that the Government could look at how the apprenticeship levy works to spend money for skills training more effectively across supply chains.

The UK Government has also said that it will be continuing to look at overall agricultural regulation from risk-based inspections to simplified applications for support schemes. The UK Government lobbied for this in the Commission's recent CAP simplification exercise.<sup>18</sup> Michael Gove has described how the UK will "seize opportunities to develop a different regulatory culture" outside the EU.<sup>19</sup>

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<sup>17</sup> .GOV.UK, [Farming for the next generation](#), 5 January 2018

<sup>18</sup> See for example .GOV.UK, [Environment Secretary calls for fewer inspections to make CAP simpler for fairness](#), 21 July 2015

<sup>19</sup> GOV.UK, [Farming for the next generation](#), 5 January 2018

## 2.3 Emerging ideas in the Devolved Administrations

### Scotland

The Scottish Government has explored potential outcomes for Brexit in its report [Scotland's Place in Europe: People, Jobs and Investment](#) (January 2018). This highlights the importance of beef farmers to the Scottish farming sector and its vulnerability to high export tariffs.

The Scottish Government continues to challenge how agricultural support is allocated within the UK under the current CAP system. The UK Government has said that it "will set out next steps in due course."<sup>20</sup>

### Wales

The Welsh Government has described food production as a major competitive advantage for Wales and one that it is "vital that it retains and builds on its competitiveness, with a strong emphasis on export".<sup>21</sup>

[Securing Wales Future](#) (January 2017) highlights how any Brexit risks to Welsh farming are also risks to managing environmental resources. It notes that:<sup>22</sup>

Securing resources is not only about supporting farming. With 83% of Wales' land surface being managed for farming and 14% for forestry, a separation between the management regimes for 'environment' and 'agriculture' is at best artificial. A crisis in Welsh farming would pose huge risks for maintaining the environmental resources of Wales. The countryside and coastline are essential to the heart of Wales and an asset for all our people.

It also sets out ways in which the Welsh Government is looking to respond to the challenges and opportunities of EU withdrawal. For example, strengthening supply chains and increasing added value of products.

The Welsh Government has called for the UK Government to provide Wales with "equivalent or greater resources to those Wales would have received from the CAP and CFP" to support Welsh farming and fisheries.<sup>23</sup>

### Northern Ireland

A Northern Ireland Assembly 2016-17 [seminar](#) with academics highlighted the importance of agriculture to the NI economy:

Agriculture is one of Northern Ireland's most important industries in terms of both an annual turn-over of some £4.5 billion and a workforce

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<sup>20</sup> [PQ 108555 18 October 2017](#)

<sup>21</sup> Welsh Government, [Securing Wales' Future](#), January 2017, p.21

<sup>22</sup> Welsh Government, [Securing Wales' Future](#), January 2017

<sup>23</sup> Ibid, p.21

of some 48,000 (2015 Agricultural Census) people. In terms of employment and GDP Northern Ireland is more dependent on the agricultural sector (including the agri-food business) than any other area of the United Kingdom and draws heavily on the Common Agricultural Policy.<sup>24</sup>

Graeme Wilkinson, Head of Brexit Division, Department of Agriculture, Environment and Rural Affairs, [commented](#) in June 2017 that:

Northern Ireland's position is unique for many reasons, not least the importance of our agri-food sector, worth over £4.6 billion to the economy and our land border with the Republic. DAERA's role is to ensure this position is understood by all sides involved in the formal negotiations and is considered when the final outcome is reached. Our work has been, and will continue to be, guided by this simple principle.

The Alliance Party said in written evidence to the House of Commons Northern Ireland Affairs Committee inquiry into the Land Border between Northern Ireland and Ireland:

The optimal solution is no change from the present arrangements. That can only be achieved if the United Kingdom retains full membership of both the EU Single Market and a Customs Union with the European Union which is essentially the equivalent of the current arrangement. Any arrangement providing for a less close relationship between the EU and the United Kingdom will have a detrimental impact on the economies of the United Kingdom and the Republic of Ireland, and in particular on the economic prospects of the people of Northern Ireland.<sup>25</sup>

## 2.4 Stakeholder Asks

### Farming Unions

The [National Farmers Union \(NFU\)](#) has called for a domestic agriculture policy aimed at helping farmers to mitigate volatility, enhance productivity and to deliver environmental benefits post-CAP. This includes having a transitional period where the UK trades within a customs union.

The NFU has said that a farmed environment scheme should be a key feature of a future domestic agricultural policy. It has also highlighted that this should do more than currently to encompass: flood management, air quality, health and wellbeing as well as landscape benefits, climate change mitigation, soil management, water resources and biodiversity.<sup>26</sup>

The NFU has said that it shares Mr Gove's "bold vision" that put a coherent food production agenda at the heart of Government thinking.

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<sup>24</sup> Northern Ireland Assembly, [2016-17 Knowledge Exchange Seminar information](#), accessed 31 January 2018

<sup>25</sup> Alliance Party of Northern Ireland, Written evidence to the Northern Ireland Affairs Committee

<sup>26</sup> NFU, [Delivering a bold and ambitious future for farming](#) (October 2017)

The Union said that it had given them a very clear indication that he “expects change within the farming industry”.<sup>27</sup>

[NFU Scotland \(NFUS\)](#) has said that it is now looking to Westminster for guarantees on the financial framework and the flexibility for Scotland to develop agricultural policies bespoke to the needs of Scotland’s farmers and crofters. It is also looking to the Scottish Government to expand its policy vision for Scottish food and farming.<sup>28</sup>

[NFU Cymru](#) wants to help to create a new framework delivering a vision of a productive, progressive and profitable farming industry which delivers jobs, growth and investment for Wales. It also wants the timeframe of the common framework to be determined by the trading relationship with the EU and working to the current formula of allocating CAP funds within the UK.<sup>29</sup>

The [Farmers’ Union of Wales](#) has said that the evidence supporting the need for the UK to remain in the single market and customs union after Brexit is now “incontrovertible.”<sup>30</sup>

The [Ulster Farmer’s Union](#) has welcomed the UK Government’s pledge to develop a coherent food policy and to champion good quality food at home and abroad. However, it has cautioned that this and food security would not be achieved if there was an imbalance in the support equation in favour of the environment and away from food production.<sup>31</sup> Without funding to support food security, the UFU is concerned that the UK’s reliance on imported food will increase thereby undermining local food production and driving down standards.

### Environmental groups

Environmental groups such as the RSPB and Soil Association want to see current funding for farmers maintained to support sustainable land management and the delivery of public goods.

A coalition of environmental NGOs, Greener UK has said that agriculture is at a crossroads and that:

...Future policies should build on successful agri-environment schemes, drawing on evidence and experience of how to reverse declines in nature, and secure ecosystem services vital to farming and wider society. A well-resourced programme of research and monitoring will facilitate continuous improvement.<sup>32</sup>

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<sup>27</sup> NFU web comment, [Secretary of State’s speech to the Oxford Farming Conference 2018](#), accessed 31 January 2018

<sup>28</sup> NFUS, [Food and Trade commitments welcomed in Secretary of State’s Oxford address](#), 4 January 2018

<sup>29</sup> NFU Cymru, [The Welsh Government commits to ring-fence funding for Welsh farming](#), 2 November 2017

<sup>30</sup> Farmers’ Union of Wales, [Time for Common Sense to Prevail over Single Market and Customs Union](#) says FUW, 16 October 2017

<sup>31</sup> Ulster Farmer’s Union, [UFU welcomes Gove’s commitment on food policy but warns change still poses a threat](#), 5 January 2018

<sup>32</sup> Greener UK, [Agriculture at a crossroads: the need for sustainable farming and land use policies](#), February 2017

## 3. A new approach to farm support post-2019

The Government wants to help land owners and managers make the transition from the current system of subsidy to a “new approach of public money for public goods over time.”<sup>33</sup>

Mr Gove has said that:<sup>34</sup>

‘..Having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn’t always being spent on renewing natural capital assets like forestry and wetlands.’

“..Paying landowners for the amount of agricultural land they have is unjust, inefficient and drives perverse outcomes....It gives the most from the public purse to those who have the most private wealth....It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.”

The Government’s [25 Year Environment Plan](#) which followed on 11 January provided more information on the proposed new environmental land management system which will pay farmers for providing public goods such as habitat enhancement.

### 3.1 What has been set out so far?

The UK Government has indicated some of the timings and changes in farm support involved in a transition to a new UK agricultural policy. These have been compiled into Table 2 below.

As the UK transitions to a new farm support system post-Brexit, and the [Industrial Strategy’s](#) ‘farm to fork’ food policy, the Government wants to:

- put greater emphasis on paying farmers public money in return for public goods - mainly environmental enhancement (but also public access and rural resilience).
- incentivise and reward land managers to restore and improve natural capital and rural heritage with a more effective application of the ‘polluter pays’ principle (where those who cause pollution pay for it)
- explore new approaches such as offering private payments for eco-system services, reverse auctions and conservation covenants.
- Build on previous countryside stewardship and agri-environment schemes but keep the bureaucracy of future land management schemes to a minimum.
- explore where capital grants could support the adoption of long-term sustainable land management practices.

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<sup>33</sup> .GOV.UK, [Farming for the Next Generation](#), 5 January 2017

<sup>34</sup>.GOV.UK, [Farming for the Next Generation](#), 5 January 2017

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This new approach will be subject to consultation with stakeholders and the devolved Administrations which each implement their own farm support systems.

The Natural Capital Committee noted that if good value for money is demonstrated in the switch in approach to funding public goods, then “further investment is justified.”<sup>35</sup>

To transition to the new approach in England, the UK Government has set out the following steps (which will be subject to consultation):

- The [Basic Payment Scheme](#) 2019 (direct payments/subsidies) will be paid on the same basis as now.
- Envisage guaranteeing that BPS payments continue for a transition period in England for a “number of years” beyond the agreed implementation period with the EU, depending on the consultation. Mr Gove suggested 5 year in a Q&A after his speech.<sup>36</sup>
- Propose to use this transition to reduce the largest BPS payments in England either by a maximum cap or a sliding scale of reductions.
- After the implementation period, the transitional payment could be made without adhering to cross-compliance rules. Instead, risk based inspections would be made and payments guaranteed as long as domestic animal welfare, environmental and other laws were observed
- After the implementation + transition period, Defra will replace the BPS with a system of public money for public goods.

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<sup>35</sup> Natural Capital Committee, [Advice to Government on the 25 Year Environment Plan](#), September 2017

<sup>36</sup> <https://www.youtube.com/watch?v=TxTikdCqS4o>

**Table 2: Transition to a new UK agriculture policy – farm support in England**

<b>YEAR</b>		
2018	BPS as normal	Payments are made in the normal EU payment window of December 2018-May 2019.
2019	BPS as normal	Assuming that payments are made in the normal EU payment window of December 2019-May 2020.
OVERALL UK IMPLEMENTATION PERIOD: March 2019 – December 2020/March 2021		
2020	Will guarantee payments for a transition period in England for c.5 year beyond March 2019 (subject to consultation).	
2021	Current cash funds are guaranteed until 2022.	
2022	However, propose to use this transition to start to reduce the largest BPS payments – either by a maximum cap or sliding scale of reductions.	
2023		
2024		
Post 2024	New environment land management system.	After the agreed CAP transition period, Defra will replace the BPS with a system of public money for public goods (not naturally provided for by the market).

Source: Based on information provided in GOV.UK, [Farming for the Next Generation](#), 5 January 2017

### 3.2 Public money for public goods

The 25 Year Environment Plan refers to a range of public goods that farmers can be paid to deliver. In terms of enhancing the environment these include ‘goods’ such as:<sup>37</sup>

- returning cultivated land to wildflower meadows
- planting woodland
- restoring habitats for endangered species
- recovering soil fertility

<sup>37</sup> HM Government, [A Green Future: Our 25 Year Plan to Improve the Environment](#), January 2018, p.7



- increasing biodiversity

Michael Gove also indicated earlier in 2018 that the delivery of wider public goods such as: scientific innovation, technology transfer, skills, infrastructure (e.g. universal super-fast broadband), public access and rural resilience (smaller farms and rural businesses supporting rural communities and culture) could be rewarded.<sup>38</sup>

This is not a new approach and one which already features in the Common Agricultural Policy.

Direct payments and rural development grants across the UK are already linked to incentivising or requiring farm management/activities which enhance or protect the environment as well as promoting the rural economy. However, the amounts 'modulated' from direct payments to rural development programme funding differs across the UK.

Wales modulates the full 15% which is allowed compared to 12% in England and 9.5% in Scotland and no Pillar 1 to Pillar 2 transfer in Northern Ireland.<sup>39</sup> These include some of the higher transfers among Member States with transfers of 3% for France and 4.5% for Germany in the same direction.<sup>40</sup>

However, current farm support is still largely based on the area of land and successive UK Governments have highlighted in various CAP reforms that farm support, without requiring public goods in return, is not the best use of tax-payers money.<sup>41</sup>

The Government has already started making changes to its approach with a simplified Countryside Stewardship scheme for 2018, as per the commitment in the Plan, and all landowners making a valid application are guaranteed funding.<sup>42</sup>

### Reactions to the proposed new system

Farming unions across the UK continue to highlight that uncertainty in the industry will deter farmers from making long-term improvements and investment decisions. They have therefore largely welcomed the UK Government's proposal for a transition period of around 5 years until 2024 for a move to a new farm support system.<sup>43</sup>

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<sup>38</sup> GOV.UK, [Farming for the Next Generation](#), 5 January 2017

<sup>39</sup> Northern Ireland's 0% modulation was initially due to lack of political consensus and legal intervention. There was an opportunity to review this for 2017 but Northern Ireland Executive has maintained the position after consultation. See DAERA, [McIlveen announces no reductions to Pillar 1 funding](#), 22 June 2016

<sup>40</sup> IEEP, CAP 2020: [Member State implementation of the CAP for 2015-2020 - a first round-up of what is being discussed](#), 16 April 2014

<sup>41</sup> See GOV.UK, [CAP greening criteria announced](#), 10 June 2014 and House of Commons Library briefing, [Brexit impact across policy areas](#), 26 August 2016

<sup>42</sup> GOV.UK, [New Countryside Stewardship offers open for applications](#), 15 January 2018

<sup>43</sup> See for example, Ulster Farmers' Union, [Arable sector looks to the future](#), 20 January 2018

The NFU welcomed the 25 Year Environment Plan's recognition of farming's 'unique position' to 'deliver for the environment.' However, it has also cautioned that only productive and viable businesses can deliver the environmental benefits envisaged in the Plan. It therefore believes that it is vital that a holistic approach is taken with environment policy joined- up with future food policy (as outlined in the Government's [Industrial Strategy](#)).and measures to manage volatility enabling 'profitable, productive and progressive' farm businesses post-Brexit.<sup>44</sup>

Organisations such as Buglife and the Soil Association have welcomed the proposals in the UK Government's 25 Year Environment Plan to support habitats, soil maintenance and pollinators in a new land management system. The [RSPB](#) views the proposed system as a better way of investing the existing farm support budget in a way which works for nature and underpins farm livelihoods.

It has highlighted recent joint research with Defra which shows that some agri-environment schemes have led to more than a doubling in the abundance of around 17 priority bird species despite the overall national trend of declining numbers of farmland birds since 1970.<sup>45</sup>

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<sup>44</sup> NFU, [25 Year Environment Plan launched by PM: Environmental Policy and food production must go hand in hand – NFU](#), 12 January 2018

<sup>45</sup> RSPB, [UK farmers offer hope for farmland birds](#), 2 January 2018

## 4. Leaving the Common Agricultural Policy (CAP)

The CAP runs for a seven-year period in line with the EU budget cycle. The current CAP agreement and funding runs until 2020.

The EU process for agreeing the new CAP round for 2021-2028 is already underway but the associated budget will not be known until there are wider discussions on the EU budget.

The UK Government has pledged to maintain the same cash funds as currently for CAP until the end of the Parliament, under the expectation that this will be 2022.<sup>46</sup>

The scale and nature of the immediate impact of Brexit on UK agriculture will largely depend on:

- Future levels of income support for farmers and rural development funding beyond the Common Agricultural Policy (CAP) and the approach to a common framework
- The nature of any trade deal with the EU and how agriculture fares in trade-offs with other sectoral interests.
- How far access to migrant and seasonal labour is maintained
- The degree of future divergence from the EU in terms of animal welfare standards, pesticides regulation, plant and animal health regulation, and food labelling requirements and protections.

The UK Government is working towards negotiating a time limited implementation period where the UK and EU then work towards adjusting to a new Free Trade Agreement (FTA). DEXEU Secretary, David Davis has called this the “bridge to the future.” However, such an approach will require some regulatory alignment between the EU and UK in many of the areas set out above.

### 4.1 Current levels of farm support

#### Box 1: Current levels of funding for farm support

- The UK allocation over the 2014-2020 period of the current CAP is €25.1 billion (c.£22.3bn) in direct payments (Pillar 1) and €2.6 billion (£2.3bn) in rural development funds for rural development and the environment (Pillar 2).<sup>47</sup>
- The UK Government has pledged to maintain the “same cash funds” of support for farmers (as they receive under the CAP) until the end of the Parliament, expected to be 2022.<sup>48</sup>
- Farmers will then have some form of guaranteed payments for a transition period expected to last until around 2024.<sup>49</sup>

<sup>46</sup> GOV.UK [The Unfrozen Moment – Delivering a Green Brexit](#), 21 July 2017

<sup>47</sup> GOV.UK Press Release, [CAP allocations announced](#), 8 November 2013

<sup>48</sup> [HC Deb 2 November 2017 c.949](#) and GOV.UK, [Farming for the Next Generation](#), 5 January 2017

<sup>49</sup> .GOV.UK, [Farming for the Next Generation](#), 5 January 2017

Currently CAP support makes up around 50-60% of farm incomes in England. In other parts of the UK it is a larger proportion, mainly because there is more land which has more difficult farming conditions e.g. hill farming.<sup>50</sup>

Farming unions have welcomed the Government's commitment to maintaining the same cash funds for farm support until 2022.

CAP support is made up of direct payments under the [Basic Payment Scheme](#) and payments for agri-environment measures and grants for rural development projects which contribute to wider rural development objectives under the Rural Development Programmes for each part of the UK.

Each administration has its own schemes. For example the agri-environment scheme in England is [Countryside Stewardship](#). In addition, up to 30% of direct payment support is linked to specific 'greening measures' such as maintaining permanent grassland. However, environmental measures linked to the direct payments, (rather than specific agri-environment schemes) have had limited impact.<sup>51</sup>

Farmers also have to comply with a range of environment and farm management practices to receive their payments. This is known as cross-compliance.

Table 3 shows the total UK CAP payments over the last 6 years across the UK. These are paid in Euros based on an average of the European Central Bank exchange rates.<sup>52</sup>

**Table 3: CAP payments in the UK**

<b>CAP PAYMENTS BY COUNTRY</b>							
Euros million, EU financial years							
	2010	2011	2012	2013	2014	2015	2016
Total England CAP payments	2,761	2,696	2,777	2,792	2,714	2,533	2,626
Total Wales CAP payments	413	417	426	406	413	367	338
Total Scotland CAP payments	779	826	840	819	757	799	584
Total Northern Ireland CAP payments	384	388	390	400	415	410	379
<b>Total UK CAP payments</b>	<b>4,337</b>	<b>4,327</b>	<b>4,433</b>	<b>4,417</b>	<b>4,299</b>	<b>4,109</b>	<b>3,927</b>

Notes:  
Information based on EU financial year 16th October – 15th October. Figures exclude financial corrections/penalties.  
Source: Agriculture in the UK datasets: Chapter ten - public payments

## Impact of subsidies on farming practice

Direct Payments provide farmers with important income support to withstand protracted periods of low prices.

The Ulster Farmer's Union (UFU) has said:

<sup>50</sup> [Northern Irish agriculture subsidies to fall after Brexit report warns](#), *The Irish News*, 16 January 2018

<sup>51</sup> Alliance Environnement, [Evaluation of the CAP greening measures](#), November 2017

<sup>52</sup> See for example, Rural Payments Agency, [BPS 2017 Payments Exchange Rate set](#), 29 September 2017

The funding farmers receive is not a luxury. Without it most family farms in Northern Ireland would not be viable. By producing food and looking after the countryside, farmers deliver jobs and environmental benefits for society – and the government has given this welcome recognition.

Farm subsidies have very much shaped UK farming practice and business structures and some commentators and farmers believe that this has hampered innovation and competitiveness.<sup>53</sup>

[Anderson's Outlook 2017](#), the annual take on the industry from a farm business consultancy notes:

... it is a salutary fact that, without subsidy, over the last 20 years UK farming has not, on aggregate, made a profit from growing crops and husbanding livestock.

The House of Lords EU Energy and Environment Sub-Committee's 2016 report on price volatility in the agricultural sector noted that subsidies can also reduce incentives for innovation and efficiency gains and hold back much needed structural change. This is because direct payments offer farmers a guaranteed income regardless of their actions to improve resilience.<sup>54</sup>

The Committee heard evidence from Barclays and HSBC that sectors that did not benefit from direct payments might be better prepared to operate in competitive markets. They cited the pig and poultry sectors, along with horticulture as being ahead in terms of having the business knowledge and recording systems to understand their production costs.

A report by Andersons for the Oxford Farming Conference in 2014 highlighted the same message concluding that "direct subsidies don't help competitiveness, but the subsidised sectors should look to learn more from unsupported sectors in and out of agriculture."<sup>55</sup>

## 4.2 The influence of the next EU CAP reform

The current round of CAP spending is for 2014-2020. As the UK leaves the EU the EU Member States will be preparing to embark on the next CAP round for 2021-2028.

In November 2017, the European Commission published its [Communication on the Future of Food and Farming](#) which sets out the Commission's vision of the future CAP - a simpler, smarter, more modern, sustainable CAP with a new delivery model.<sup>56</sup> The Commission intends to increase the flexibility introduced in the last round for

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<sup>53</sup> Andersons, [The best British farmers – what gives them the edge?](#), Oxford Farming Conference Report, 15 December 2014

<sup>54</sup> House of Lords European Union Committee, [Responding to price volatility: Creating a more resilient agricultural sector](#), 16 May 2016, HL Paper 146-I, para 124

<sup>55</sup> Andersons, [The best British farmers – what gives them the edge?](#) Oxford Farming Conference Report, 15 December 2014

<sup>56</sup> COM (2017) 713 Final, [The Future of Food and Farming](#), 29 November 2018

Member States' to tailor the CAP options to their particular farming needs in meeting the overall EU goals.

Agriculture Commissioner Phil Hogan has described the proposed approach as an "evolution, not a revolution." The communication will be followed by a legislative proposal on reform in mid-2018.<sup>57</sup> This will take account of available evidence on the performance of the policy so far.

The Commission's own deregulation initiative (the REFIT Platform) has highlighted the need to reduce the regulatory burden of the CAP and improve its value for money and increase its integration with other policy areas. It has put the focus on "the excessive administrative burden" of the current greening measures, the control and audit system and the growing overlaps between Pillar I and II.

### 4.3 How do other countries support their farmers?

Most countries offer some farm support. Globally, the use of protectionist measures and subsidies is higher in agriculture than in any other sector, but their use has been falling over the past three decades. In OECD countries, agricultural producer support has dropped from almost 2.5% of GDP in 1986 to 0.4 per cent in 2015.<sup>58</sup>

A number of countries have moved away from support and towards a more market-orientated approach.<sup>59</sup> **New Zealand** is a key example: government support for agriculture is just 1% of farm income, well below the OECD average of 18% and the EU's 22%.<sup>60</sup>

However, some emerging economies have gone against the trend in falling producer support and have increased support to agriculture. **Norway, along with Switzerland, Iceland, Korea and Japan** is supporting its producers at levels close to, or above, 50% of gross farm receipts, despite reductions in support since the mid-1990s:<sup>61</sup>

The AHDB's 2016 report [Agricultural Policy Models in Different Parts of the World](#), summarises a range of agricultural policies.

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<sup>57</sup> EurActiv, [Parliament cautiously welcomes a new post-2020 CAP vision](#), 30 November 2017

<sup>58</sup> Chatham House, [The Implications of Brexit for UK, EU and Global Agricultural Reform in the Next Decade](#), November 2017 and OECD, [Agricultural Policy Monitoring and Evaluation](#), 2017

<sup>59</sup> Agriculture and Horticulture Development Board, [Agricultural Policy Models in Different Parts of the World](#), 4 August 2016

<sup>60</sup> [OECD, Agricultural Monitoring and Evaluation Report 2017](#)

<sup>61</sup> [OECD, Agricultural Monitoring and Evaluation Report 2017](#)

## 5. A new approach to regulation?

The UK Government's 25 Year Environment Plan sets out a variety of continuing action on the environmental impacts of farming, including water pollution from fertilisers. It also puts a new emphasis on improving soil health and sets out the aim of ensuring the sustainable management of soil by 2030 and establishing sufficient data to understand the current state of soil health.

In October 2017, speaking at a Sustainable Soils Alliance event, Michael Gove [said](#) that 'bold new measures to protect and restore soil health' must be at the heart of the forthcoming Agriculture Bill as well as the Plan.<sup>62</sup>

### 5.1 Pesticides

The UK currently works within an EU regulatory system of pesticide approval. The Government has said that it is "considering future arrangements for the regulation of pesticides" as part of the preparation for EU exit and "remains of the view that decision on the use of pesticides should be based on careful scientific assessment of the risks."<sup>63</sup>

The 25 Year Environment Plan does not indicate how the UK might approach this area post-Brexit. However, it includes commitments to:<sup>64</sup>

- encourage the minimum use of pesticides with a stronger emphasis on the holistic Integrated Pest Management approach (IPM) e.g. using effective crop rotation and natural predators. This will include reviewing the UK National Action Plan for the Sustainable Use of Pesticides in 2018.
- maintain EU restrictions post-Brexit on the use of neonicotinoid pesticides because of the "growing weight of scientific evidence" that they are harmful to bees and other pollinators. The Plan states that any continuing use should be limited and permitted only where the environmental risks are shown to be very low.

### 5.2 GM Food

Defra and the devolved administrations are the regulatory bodies responsible for decisions on the release of genetically modified organisms (GMOs) into the environment.

The Food Standards Agency (FSA) in England, Wales and Northern Ireland and Food Standards Scotland lead on the marketing of GMOs as food or animal feed products.

Where licensing decisions are currently taken as part of a centralised EU process, the Government has said that the intention is for the EU rules

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<sup>62</sup> Soil Association, [Secretary of State commits to soil health](#), 25 October 2017

<sup>63</sup> [PQ 1510 4 July 2017](#)

<sup>64</sup> HM Government, [A Green Future: Our 25 Year Plan to improve the environment](#), January 2018



to be converted into UK law so that a similar regulatory framework will apply after the UK's withdrawal from the EU.

Discussions are ongoing between Defra, the FSA and DAs on how best to convert the EU arrangements.<sup>65</sup>

### 5.3 Food Labelling

The UK Government has acknowledged that “there will be further opportunities as we leave the EU to look at what more customers would like to see” from food labelling.<sup>66</sup> For example, increasing the food information available, improving consumer transparency and helping consumers to identify high-quality British food.<sup>67</sup>

The NFU has been campaigning across the UK to improve the information available to online shoppers about country of origin. It has said that best practice would be for retailers selling online to identify British products on the listing page with a British flag, which makes British products easily identifiable. A British ‘filter button would give online shoppers the ability to easily choose British products.<sup>68</sup>

#### Protected Names

The EU has a protected names scheme where certain agricultural, food or drink products associated with a particular region or method of production are given legal protection from imitation or misuse of the name within the EU.

A number of UK products currently benefit from this status which include association with a particular geographical location (PGI) or characteristics resulting from originating in a certain area (PDO), Box 2 provides examples.

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<sup>65</sup> [HC Written Question 120296 8 January 2018](#)

<sup>66</sup> HC Deb 13 October 2016 c428

<sup>67</sup> [HL3093, 22 November 2016](#)

<sup>68</sup> NFU Online, [NFU underlines the importance of post-Brexit food labelling](#), 12 September 2017

### Box 2: PGI and PDO

- [Protected geographical indications](#) (PGI) allow food and drink to have a protected status in terms of associating it with a geographical location. E.g. Welsh Lamb, Yorkshire Wensleydale Cheese, and Melton Mowbray pork pies.
- PGI is open to products which must be produced or processed or prepared within the geographical area and have a reputation, features or certain qualities attributable to that area.
- A [Product of Designated Origin \(PDO\)](#) registration describes products having characteristics resulting essentially from the geographical area and the know-how of the producers in the area of production. E.g. Anglesey Sea Salt and Orkney Beef.
- The .gov.uk page [Protected Food Name Schemes: UK Registered Products](#) provides further details.

### Maintaining the protections after Brexit

Farming Unions across the UK have highlighted the importance of the UK's protected food names as crucial for protecting and promoting the UK's "iconic food provenance" at a time when potentially the UK could have more imported product coming onto the home market, particularly in meat and milk processed products.<sup>69</sup>

The UK Government has said that it fully recognises...

.. the importance of ensuring that the protection for products such as those currently registered under the Protected Food Name and Geographical Indication schemes continues after the UK has left the EU. We are looking at how best to do this and we will continue to work with producers to ensure protections are in place in the future.<sup>70</sup>

DExEU Minister Robin Walker has said that it is the Government's intention to "seek agreement with the European Union on mutual recognition of protected names of origin" and that his department will continue to work on its delivery with Defra as the Government enters the future partnership negotiations.<sup>71</sup>

Lord Gardiner has said that the Government supports the continued use of geographical indications and will "prioritise the continued protection of the best of our UK food and drink". He confirmed that the EU regulations which currently govern that enforcement of geographical indications will be placed on a UK legal basis through the EU Withdrawal Bill.<sup>72</sup>

The ADHB has advised how the protections could continue after Brexit:

<sup>69</sup> NFU online, [NFU underlines the importance of post-Brexit food labelling](#), 12 September 2017

<sup>70</sup> [PQ 47478 \[on food labelling\] 17 October 2016](#)

<sup>71</sup> [HC Deb 2 November 2017 c.965](#)

<sup>72</sup> [HC Deb 2 November 2017 c1483](#)

When the UK leaves the EU, registered protected food names should be able to benefit from EU protection against imitation, provided there is a reciprocal agreement between the UK and the EU. There are currently 23 EU GI product registrations from non-EU countries. If the UK wishes to register protected food names post-Brexit with the EU, it would first need to set up its own national approval scheme. Only when products have been approved by a non-EU country's own national scheme can they be considered for approval under the EU protected food scheme. These products would also be protected by countries which have a Free Trade Agreement or bilateral agreement with the EU.<sup>73</sup>

WTO rules require that the UK would offer some protection for the EU's protected food names. Equally the EU is required to offer minimum protection to any traditional products from third countries which are protected in their own domestic markets. The UK could therefore establish its own national approval scheme as the ADHB highlights.

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<sup>73</sup> Agriculture and Horticulture Development Board, [\*The impact of Brexit on protected food names\*](#), 6 December 2016

## 6. Trade and standards

The impact of Brexit on UK agricultural trade will depend on any trade deal negotiated with the EU and will have different impacts across different sectors under different scenarios. The impact will also depend on how agriculture fares in trade-offs with other sectors.

Sir Ivan Rogers, the UK Ambassador to the EU until January 2017, warned an NFU audience in November 2017 that they should prepare for a turbulent Brexit likely to see agricultural interests traded off.<sup>74</sup>

The terms of free trade agreements with other non-EU countries will also impact on the sector. Environment Secretary, Michael Gove has said that he is confident of “building a new economic partnership with the EU” that guarantees tariff-free access for agri-food goods between the UK and EU. He has also highlighted that the Government is seeking to increase agricultural exports e.g. to China.

Library briefing, [Brexit: Agriculture and Trade](#) sets out the key issues relating to trade and agriculture.

### 6.1 Tariff-free access to the EU?

Trade between EU member states is tariff free. Imports from outside the EU are subject to tariffs which are high in some cases. The average charge imposed by the EU on agricultural produce not granted preferential access to the European market is 12.2% but this rises for some meat products to up to 67%.

The UK would therefore need to reach a successful free trade agreement with the EU, covering agricultural products and services, to avoid these tariff rates.

The EU also has a regime of “**tariff rate quotas**” (TRQs) which allow a certain volume of particular products to be imported into the EU at a reduced tariff rate.

### Concerns

The Welsh Assembly’s Climate Change, Environment and Rural Affairs Committee has highlighted that:<sup>75</sup>

The risks of failing to achieve a trade deal with the EU are grave – trading under World Trade Organization rules will be hugely detrimental to the agricultural sector in Wales. The UK Government must ensure that Welsh producers, including Welsh lamb producers, are not exposed to the severe risks arising from restrictions on access to EU markets and the imposition of tariffs.

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<sup>74</sup> NFU online, [Sir Ivan Rogers outlines British challenges at NFU’s inaugural Henry Plumb Lecture](#), 21 November 2017

<sup>75</sup> Welsh Assembly Climate Change, Environment and Rural Affairs Committee, [The Future of Land Management in Wales](#) March 2017

### Box 3: Trade – Key facts

- **Approximately 60 to 65% of the UK's agri-food exports are exported to the EU and approximately 70 per cent of the UK's food is imported from the EU.**<sup>76</sup>
  - **Exports of UK food and drink overall surpassed £20 billion for the first time last year.**
  - **Whisky is the UK's top export at £4.1 billion, with cereal and associated products at £2.3 billion, dairy at £1.4 billion and meat at £1.6 billion.**<sup>77</sup>
  - **UK exports of both goods and services rose overall by 5.9% between 2015 and 2016 to £547 billion. In percentage terms, the largest increases in UK exports between 2015 and 2016 were to New Zealand, Sweden, Turkey, Japan and Egypt.**
  - **The UK's five largest trading partners remain the US, Germany, the Netherlands, France and China.**<sup>78</sup>
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[Scenario modelling](#) by the Agriculture and Horticulture Development Board (AHDB),<sup>79</sup> and the [NFU](#),<sup>80</sup> have shown the **lamb and beef sectors** to be potentially two of the most vulnerable sectors post Brexit. In particular the sectors' prospects suffer if there is no comprehensive trade deal with the EU that maintains similar tariffs to now, and if subsidies are reduced or removed.

## Opportunities

Under all of the post-Brexit trading and support scenarios modelled by the AHDB, the top 25% of performers in all sectors, regardless of size, remain viable. ADHB is therefore calling on farmers to 'get fit for the future' by learning from that high-performing about the way they run their farm businesses.<sup>81</sup>

The NFU study concluded that some sectors such as the poultry sector could have opportunities to increase productivity and incomes under a free trade agreement with the EU. The study also highlights that if imports from the EU become more expensive then there may be opportunities for domestic suppliers to sell more produce locally.<sup>82</sup>

## 6.2 Regulatory standards: non-tariff barriers

Trade in agricultural products is also subject to non-tariff barriers. These include sanitary and phytosanitary (SPS) rules relating to plant and animal health. For example, imports of beef from animals treated with growth hormones are banned by the EU.

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<sup>76</sup> Defra, [Agriculture in the United Kingdom 2016](#), May 2017

<sup>77</sup> [HL Deb 17 October 2017 c583](#)

<sup>78</sup> [HL Deb c 1932 14 November 2017](#)

<sup>79</sup> NFU online, [NFU and AHDB team up for Brexit Roadshows](#), 25 October 2017

<sup>80</sup> NFU Online, [British Agriculture: The implications of a UK Exit from the EU – Summary of a study by the LEI Wageningen UR for the NFU of England and Wales](#), April 2016

<sup>81</sup> NFU online, [NFU and AHDB team up for Brexit Roadshows](#), 25 October 2017

<sup>82</sup> NFU Online, [British Agriculture: The implications of a UK Exit from the EU – Summary of a study by the LEI Wageningen UR for the NFU of England and Wales](#), April 2016

As part of the EU, the UK abides by regulatory standards on a range of issues affecting farming, including environmental standards for production methods and animal welfare.

Some organisations have expressed concern about the potential for new trade arrangements to drive down food standards and animal welfare where countries exporting products to the UK have lower standards. For example, different rules to the UK on hormone-fed beef, or density of stock in chicken farms.

The Countryside Alliance argues against a "[downward harmonisation of standards](#)".<sup>83</sup> The [Tenant Farmers Association](#) (TFA) warns that imports to the UK are "not perfect substitutes" if the country of origin has differing animal welfare conditions and differing regulations. The TFA wants mandatory country of origin labelling on all major retailer sold food. They highlight the "general lack of awareness amongst consumers about the difference in quality of the products."<sup>84</sup>

In July 2017, Environment Secretary Michael Gove indicated that the UK should not "dilute" its animal welfare standards as part of any future trade deal.<sup>85</sup> He also said in a Commons [debate](#) in July 2017:<sup>86</sup>

"..The future for British farming is in quality and provenance, maintaining high environmental and animal welfare standards. We have a world-leading reputation based on doing things better, and that will not be compromised while I am in this Department".

EU Exit Secretary, David Davis has indicated that after the UK's implementation period, the UK will be able to "kick-start a new global race to the top in quality and standards." In his Teesport speech in January 2018 outlining the proposed implementation period, he said:<sup>87</sup>

...Because Britain cannot outcompete emerging economies with cheap labour.

There is no future in us trying to be cheaper than China, or other emerging economies which have enormous low wage cost advantages.

Instead we must work with our international partners to drive up quality and standards.

## Animal sentience

The Government [announced](#) on 12 December 2017 that it would be introducing legislation to recognise animal sentience. At the same time it published a short three clause [draft Bill, explanatory notes and](#)

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<sup>83</sup> Countryside Alliance, Brexit Policy Document, [Sustaining a Living and Working Countryside outside of the European Union](#), April 2017

<sup>84</sup> Tenant Farmers Association, [A post EU farming policy for Britain](#), accessed 30 January 2018

<sup>85</sup> BBC News Online, [Michael Gove: UK won't accept US chlorinated chicken](#), 26 July 2017

<sup>86</sup> [HC Deb 20 July 2017 c959](#)

<sup>87</sup> .GOV.UK, [David Davis' Teesport speech: Implementation Period – A bridge to the future partnership between the UK and EU](#), 26 January 2018

[consultation](#). The consultation closed on 31 January 2018.<sup>88</sup> This follows unsuccessful attempts to amend the EU Withdrawal Bill to transfer the principle in Article 13 of the Lisbon Treaty recognising animals as sentient beings into UK legislation.

Commons Library briefing [Animal Sentience and Brexit](#) contains further details. The Environment, Food and Rural Affairs Committee has taken evidence in its [Draft Animal Welfare Bill inquiry](#).

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<sup>88</sup> House of Commons Library Research Paper 8155, [Animal Sentience and Brexit](#), 14 December 2017



## 7. Access to labour

The agricultural and food processing sector uses significant numbers of migrant workers. For example, there are an estimated 75,000 temporary migrant workers in agriculture every summer in the UK.<sup>89</sup> In 2014, there were more than 34,000 non UK-born workers employed in the UK agriculture, excluding the significant numbers of seasonal workers.<sup>90</sup>

In December 2016, a coalition of the UK farming unions and 71 food businesses signed an open letter to Prime Minister Theresa May highlighting the importance of maintaining access to EU labour:

The sector needs access to EU and non-EU seasonal and permanent labour, alongside assurances that EU workers already working permanently in the UK are allowed to remain. This access to labour is essential as it underpins the UK food chain's timely delivery of high quality affordable food to consumers.<sup>91</sup>

The Government has commissioned the [Migration Advisory Committee](#) (MAC) to assess the impact of leaving the EU on both seasonal and non-seasonal employment. The MAC will report in September 2018 but may produce interim reports before then.<sup>92</sup>

The EFRA Committee's report [Feeding the Nation: Labour Constraints](#) (April 2017) notes that official data on agricultural labour is need of review so that the sector has confidence in the adequacy of the data informing employment and immigration policies post-Brexit.

### 7.1 Seasonal Labour

NFU research shows that the number of seasonal workers coming to work on British farms in 2017 dropped by 17%, which left some farms 'critically short' of people to harvest fruit and vegetables.

BBC and British Summer Fruits surveys found that 78% of respondents said that recruitment had been more difficult in 2017 than the previous year, and more than half feared that they would not have enough migrant workers to harvest their crops.<sup>93</sup>

The specialist horticulture sector is very reliant on EU migrant labour, particularly from eastern Europe. A [study](#) co-authored by the Fresh Produce Consortium (FPC) found that a third of UK horticulture businesses would become 'unviable' without access to EU workers. Low UK unemployment rates and the seasonal nature of farm work are often cited as key difficulties in attracting domestic pickers.

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<sup>89</sup> House of Commons Library Briefing Paper, *Migrant Workers in Agriculture*, July 2017

<sup>90</sup> [Welsh Assembly Record, Plenary 28 November 2016, c 205](#)

<sup>91</sup> NF Online, [UK's food industry: Access to single market and labour vital](#), 6 December 2017

<sup>92</sup> [Written Question 9095](#) 11 September 2017

<sup>93</sup> NFU online, [Is the seasonal cliff edge getting closer](#), 23 June 2017

## A new Seasonal Agricultural Workers Scheme?

A quota-based Seasonal Agriculture Workers Scheme (SAWS) ran until 2013 and was closed on the advice of Migration Advisory Committee. The Library paper (July 2017) [Migrant Workers in Agriculture](#) explains the extent to which EU seasonal workers are used for agriculture in the UK and also explains how the Seasonal Workers Scheme (1945-2013) used to work.

The UK Government has said that it is seeking a flexible migration policy overall and wants to ensure that post- Brexit there is “access to seasonal agricultural labour.”<sup>94</sup> It has said that it is keeping the need for re-introducing a SAWS under review but that this would be unnecessary as long as the UK retains free movement of labour with the EU. The Government has said that it would be possible to establish a new scheme within a number of months if required.<sup>95</sup>

The Government has reiterated its position in recent written answers. See for example [HC Deb 7 September 2017 c.292](#):

...We will keep our position on seasonal workers under review. Until we have left the EU, employers in the agricultural and food processing sectors are free to continue to recruit EU workers to meet their labour needs. It remains the Government’s policy not to operate migration schemes for non-EEA nationals coming to fill vacancies at lower skill levels while employers have unrestricted access to labour from elsewhere in the EU. I note, however, that the Home Office told the Environment, Food and Rural Affairs Committee earlier this year that a new SAWS could be introduced very quickly—in five or six months—once the need for such a scheme has been identified. I hope my hon. Friend is reassured that we will have the agility to meet those needs.

## 7.2 Demand for labour in the wider food chain

There is also a high demand for non-UK workers in the wider food chain as well as on farms. The Food Standards Agency (FSA) has highlighted that its workforce, and the workforces of the agriculture, food and drink industries, draw heavily on nationals from other EU member states.<sup>96</sup>

Many of these jobs are not seasonal. The Royal College of Veterinary Surgeons notes that the veterinary profession is heavily reliant on vets who qualify elsewhere in the European Union (approaching 50% of annual registrations). Estimates suggest 95% of Official Veterinarians

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<sup>94</sup> GOV.UK, [Farming for the Next Generation](#), 5 January 2017

<sup>95</sup> [Third Special Report](#) of the House of Commons Environment, Food and Rural Affairs Committee, August 2017

<sup>96</sup> FSA, [FSA’s preparations for the UK’s exit from the EU](#), 20 September 2017

working in abattoirs graduated overseas with the clear majority of these being non-UK EU graduates.<sup>97</sup>

The Government's response to the recent Lords EU Energy and Environment Sub-Committee report, [Brexit: Farm Animal Welfare](#) says that the Prime Minister has made clear that securing the status of the veterinary workforce is a top priority.<sup>98</sup>

### 7.3 A prompt for innovation?

The ADHB has suggested that labour shortages might be the catalyst for structural and other change:

The loss of affordable labour and readily available sources of labour may be the catalyst that forces the industry to achieve these [productivity] increases, in order to remain competitive in a global market post Brexit. Increased capital investment is a possibility. Although not a short-term solution, due to the cost and time scales involved, it could be feasible in the medium to long term.<sup>99</sup>

The ADHB has identified four main options for ensuring that the agricultural sector has the workforce it needs (or can manage with the workforce it has) post-Brexit:

- Schemes to maintain the current availability of migrant labour
- Increasing agricultural labour productivity
- Increasing automation
- Increasing incentives for the unemployed/economically inactive to work'

The Commons EFRA Committee's report [Feeding the Nation: Labour Constraints](#) (April 2017) highlighted some of the work which the Government had identified as needing to be part of the long-term solution to the sector becoming less reliant on migrant labour and using more UK workers. This included:

- reforms to the benefit system
- greater automation
- increasing skills and qualifications in the sector
- increasing apprentices
- improving the perception and understanding of agricultural work.

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<sup>97</sup> British Veterinary Association [written evidence](#) to House of Commons Environment, Food and Rural Affairs Committee inquiry into Brexit: Trade in Food, HC 348 (BTR 0027)

<sup>98</sup> [Government Response](#) to the House of Lords European Union Committee Report on Brexit: Farm Animal Welfare, 29 September 2017

<sup>99</sup> AHDB, [The impact of Brexit on the UK agricultural workforce](#), 20 September 2016

The Committee noted that industry witnesses were unanimous that “no matter what policies the Government adopted, there would always be some need for temporary, migrant labour in the sector”.<sup>100</sup>

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<sup>100</sup> House of Commons Environment, Food and Rural Affairs Committee, [Feeding the Nation: Labour Constraints](#), April 2017, [para 22](#)

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